

State of South Dakota

EIGHTY-THIRD SESSION LEGISLATIVE ASSEMBLY, 2008

615P0607

SENATE CONCURRENT RESOLUTION NO. 9

Introduced by: Senators Katus, Albers, Hanson (Gary), Heidepriem, Hoerth, Jerstad, Kloucek, Nesselhuf, Olson (Ed), Peterson (Jim), Sutton, and Turbak Berry and Representatives Ahlers, Burg, Dennert, Feinstein, Gassman, Sigdestad, and Thompson

1 A CONCURRENT RESOLUTION, Urging the use of market-driven upstream carbon offset
2 programs in the development of regional carbon trading systems.

3 WHEREAS, climate change is one of the major challenges of the 21st century, having
4 significant negative global environmental, economic, and social repercussions. Meeting
5 governments' obligations on climate change will require a range of strategies, including
6 incentives, flexible market-based approaches, and legal requirements; and

7 WHEREAS, several states have established carbon dioxide reduction targets, either by
8 executive order or statute, and formed climate task forces to advise on policies and strategies
9 for meeting such targets; and

10 WHEREAS, further targets need to be set soon in order to provide investment certainty for
11 low-carbon energy sources, low greenhouse-gas emitting technologies, and renewable energy,
12 and to avoid investing in incompatible energy infrastructure; and

13 WHEREAS, South Dakota and the Midwest region can draw on the most effective aspects
14 of other jurisdictions' experiences in crafting a coordinated, regional approach to the limiting



1 of greenhouse gas emissions that takes advantage of our region's strengths and is
2 environmentally effective, fair, and cost efficient; and

3 WHEREAS, it is important to differentiate between the advantages and disadvantages of cap
4 and trade emissions systems, which have been proposed or adopted by many government
5 jurisdictions, and upstream carbon offset programs (UCOP), which may provide significant
6 economic and organizational advantages in comparison with cap and trade systems; and

7 WHEREAS, a cap and trade system establishes a cap on overall carbon emissions, usually
8 expressed as a one-time percentage reduction to be achieved in a specified time period, often
9 five years, with emission allowance allocations either distributed free to large emitters or
10 auctioned out by the state; and

11 WHEREAS, the cap and trade system is often subject to severe price distortions because of
12 the difficulty of properly assigning emission allowance allocations, particularly in changing
13 economic conditions over longer time periods. Cap and trade systems also involve complex
14 planning and organizational challenges that can be avoided or minimized by market-driven
15 approaches; and

16 WHEREAS, an upstream carbon offset program (UCOP) is a market-driven method that sets
17 an annual emission reduction target based on predictions of economic activity one year into the
18 future. UCOP projections are more precise than the five-year predictions under cap and trade
19 systems, and UCOP does not use the allowance allocations associated with cap and trade
20 systems; and

21 WHEREAS, a UCOP system is flexible and fully market-based, with the state playing
22 policy-setting, regulatory, and oversight roles, rather than the more cumbersome and
23 bureaucratic requirements necessary for the implementation of a cap and trade system; and

24 WHEREAS, a UCOP system would allow South Dakota to institute a more efficient and

1 flexible program than the cap and trade systems found in other jurisdictions and would ensure
2 that investments that generate emission reductions would be made in South Dakota, rather than
3 in other states. UCOP could benefit South Dakota's economy and boost the state's technology
4 development; and

5 WHEREAS, moving beyond the fossil fuel-based economy represents a historic economic
6 opportunity. Cost-effectiveness and flexibility should be characteristics of all measures
7 considered, with the eventual long-term goal being the development of a functioning global
8 carbon market. South Dakota can play a significant role in these developments, both in our state
9 and in our region:

10 NOW, THEREFORE, BE IT RESOLVED, by the Senate of the Eighty-Third Legislature
11 of the State of South Dakota, the House of Representatives concurring therein, that the South
12 Dakota Legislature urges the development of a system for the reduction of carbon emissions and
13 greenhouse gases through the use of market-based carbon trading models, including upstream
14 carbon offset programs rather than cap and trade systems; and

15 BE IT FURTHER RESOLVED, that the Legislature urges the State of South Dakota, the
16 governments of surrounding states, and the Midwest Governor's Association to consider the
17 implementation of upstream carbon trading programs in their efforts to reduce carbon
18 greenhouse gas emissions.